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COMMITTEE ON URBAN AFFAIRS
January 24, 2006
LB 1037, 1029, 1054, 1066

The Committee on Urban Affairs met at 1:30 p.m. on Tuesday, January 24, in Room 1510 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB 1037, LB 1029, LB 1054, and LB 1066. Senators present: Mike Friend, Chairperson; Matt Connealy, Vice Chairperson; Jeanne Combs; Abbie Cornett; Ray Janssen; and DiAnna Schimek. Senators absent: David Landis.

SENATOR FRIEND: Let's get started. I do have some instructions while people are getting settled. I guess we'll start the hearing. We're running a little bit late but not too bad. My name is Mike Friend. I represent northwest Omaha, District 10. This is Urban Affairs, so if you're in the wrong spot...if you're looking for fun, this is the place to be. On my far left and right out of the gate is Senator Ray Janssen from Nickerson; and Senator Abbie Cornett from Bellevue; Senator DiAnna Schimek from Lincoln; and committee clerk, Beth Dinneen; Bill Stadtwald is the legal advisor and counsel; and Vice Chairman Matt Connealy from Decatur, he's with us. I'm sure Senator Landis and Senator Combs will be along. I wanted to just say that please turn off all the cell phones and pagers. All of the stuff is being transcribed. Make sure I don't have mine. Everything is being transcribed in the hearing room. Green sign-in sheets, please sign those if you wish to testify. If you're not going to testify and you want your name read into the record, a sign-up sheet will have to be filled out as well. Please state your name clearly. Spell it for the record so the transcriber can have that. We would appreciate that. And try not to be repetitive. We have four bills today. It shouldn't take us too long but it's always nice to be able to move fairly rapidly if we can. I'm sure you all would appreciate that, too. If you have any handout material, please hand it to Mimi. Mimi is our page today. Mimi, I believe, is biochem at UNL, is that correct? It is? Okay. I don't know how I remembered that. I guess I said it last week. She would be happy to pass that out to the committee members, so if you could alert her, we would appreciate that as well. And no vocal display of support or opposition to a bill. I don't think we have to worry about that in here. This isn't General Affairs. So with that, we will start with LB 1037. Senator Phil Erdman from Bayard is here to open on the bill.

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SENATOR FRIEND: Welcome.

SENATOR ERDMAN: Thank you, Mr. Chairman, members of the Urban Affairs Committee. It's good to be back. My name is Philip Erdman. I represent the 47th Legislative District. In years past, I would go on and on about how great it would be if Chimney Rock were selected to be the state's design for the quarter but you'll get your own copy in April, so that's been taken care of. However, what's before you today is LB 1037. And I do plan to employ the rule that was issued yesterday in the General Affairs Committee. My testimony will not be longer than the bill that's been introduced. LB 1037 amends the Nebraska Housing Agency Act to allow a city council in the city of the first class to act as the commissioners of a housing agency, if the council had served as the housing authority pursuant to law prior to January 1, 2000. This bill would provide clarity that the ability of a city council that had acted as a housing authority under prior law to continue to act as a housing agency under the current law. If an eligible city council assumes these duties, the provisions of the housing agency act regarding a resident commissioner would still apply. And Jordan Ball, the City Attorney for the city of Sidney has made the long trip down here to be with us today, and I would yield to him for further testimony on the bill.

SENATOR FRIEND: Thank you, Senator. Are there any questions for Senator Erdman at this time? Seeing none, thank you. First testifier in support, please.

JORDAN BALL: (Exhibit 1) Senator Friend and committee members, my name is Jordan Ball, J-o-r-d-a-n, Ball is B-a-l-l. The Nebraska Housing Authority Act was revised in 1999. In fact, I'm going to hand out copies of the testimony before I...if I can just get a minute for the distribution to be made. The Nebraska Housing Act was revised in 1999. As regards housing authorities previously established, Section 71-1576 provides that "any local housing authority established under any prior Nebraska law relating to Housing Authorities and in existence on January 1, 2000, shall have continued existence as a housing

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authority under the Nebraska Housing Agency Act. The Housing Authority of the city of Sidney was established by the city Sidney Council on April 13, 1953. Prior to 1999, the Housing Authorities Law provided: "Where any city of the first or second class or village has within its boundaries or within three miles thereof a military installation and is subject to the provisions of Public Law 475 enacted by the 81st Congress of the United States and the city or village desires to take same over as a housing project, the Mayor and Council of any such city...may be constituted ex-officio commissioners of the Authority." And that's the situation in Sidney. Consistent with this provision, the council members serving at the time were appointed by resolution as the housing authority commissioners, as have all the city council persons since. The specific authorization language that was above quoted was not restated in the Nebraska Housing Agency Act when it was last revised. Although the present law notes that "all commissioners...holding office by virtue of any prior law on January 1, 2000, shall be deemed to have been appointed and employed under the Act." The present statute does not specifically provide for council members' certification and service as housing authority commissioners when they initially take office after 2000 by election or due to appointment upon death or resignation of a previous council person. The language in subsection (2) of LB 1037 provides clarification that council members can continue to be certified as housing authority commissioners if the city council served as the Housing Authority pursuant to the provision in the law as noted above prior to January 1, 2000. The Sidney Housing Authority initially was established when Sioux Villa military housing within the city of Sidney was transferred under Public Law 475 enacted by the 81st Congress of the United States. That facility is still in operation. It's 70 one-, two-, three-, and four-bedroom units have been revitalized and upgraded over the years and occupancy runs at approximately a 90 percent rate. Subsequently, the City of Sidney Housing Authority built the Western Heritage facility, an elderly housing complex with 40 one-bedroom units. Built in the 1970s, it runs at near 100 percent occupancy. The Housing Authority is free of debt and is considering construction of addition to the elderly housing unit and further upgrades to Sioux Villa where apartments rent from \$156 for a one-bedroom apartment to \$228 for a four-bedroom apartment. The Housing

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Authority properties serve the low-income portion of our population and are critical to those of limited resources. Many of the residents have occupied those units for many years. In Sidney, the service of the city council members as the Housing Authority commissioners has been an effective and efficient system. The Housing Authority meets prior to each council meeting at 7:15 p.m. on the second and fourth Tuesdays of each month. Because Housing Authority meetings precede council meetings and both meetings are televised and aired on the local government access channel, Housing Authority meetings are viewed regularly by many in our community. The Housing Authority would not get this public attention if it were composed of other persons and met at some other time. Council members stand for election every four years and their service as Housing Authority commissioners is obviously considered by the voters. Our rather unique situation provides public scrutiny not generally associated with Housing Authority operations. Additionally, the Housing Authority completes an annual audit with a CPA firm at the same time the city is audited. Those audit results are reviewed and televised at a presentation to the Authority. The same public review would probably not occur under a separate board. LB 1037 is essential to allow the continued operation of our Housing Authority in its present efficient organization, which has proven itself over the years. Your consideration and approval of the legislation is needed and critical to all residents of Sidney, Nebraska. Thank you.

SENATOR FRIEND: Thank you, Mr. Ball. Are there any questions from the committee for Mr. Ball? Senator Janssen.

SENATOR JANSSEN: Yes, sir. The housing project that you're talking about in your presentation here, was that a military housing unit at one time?

JORDAN BALL: Yes. Approximately 10 miles west of Sidney there exists what was then called the Sioux Army Ordnance Depot. And at the time that the military operated there until after World War II, until 1953, they built a number of what I'm going to refer to as barracks buildings but they became these apartments, and they were built on the north side of the city of Sidney, in town. So although the military installation was removed 10 miles, a lot of the people lived in the city of Sidney in those particular

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units.

SENATOR JANSSEN: Now they weren't individual dwellings, then. They were, like you said, barrack-type deals, is that the structures?

JORDAN BALL: Yes. At this time there are approximately 10-15, I should know the exact number. I don't, Senator. I can look it up for you but there are 10-15 different units and they've been modified greatly over time so that...I think originally they were all more barracks than apartments. They've since been turned into one-, two-, three-, and four-bedroom apartments.

SENATOR JANSSEN: Now were they acquired...did the city acquire them from the government then, or was there a deal made where they gave them to the city for that distinct purpose?

JORDAN BALL: Under the legislation that's referred to in my testimony, the federal legislation, the city was able to request the federal government to transfer these units, basically as the military drew down and reorganized after World War II. The city council organized a housing authority at that time, appointed the council as the authority, as they were allowed to do, and requested of the federal government that these units be transferred to the Housing Authority. That's how it came about.

SENATOR JANSSEN: Well, you know, the city of Lincoln had a similar situation out at Air Park, and I don't know exactly how that transpired. Senator Schimek could probably fill me in on that. Anyway, all right, thank you. I understand what kind of situation you have. Thank you.

SENATOR FRIEND: Thank you. Are...more questions? Senator Schimek.

SENATOR SCHIMEK: Yes, thank you, Mr. Chairman. Thank you for your testimony. I'm not clear in my mind, and I got distracted a couple times here, the language was deliberately left out of the bill in 1999 or it was inadvertently left out?

JORDAN BALL: I guess my...you know, I don't know that I

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could answer that. I became aware of this subsequently. We believe that it was inadvertently left out because there aren't very many, if any, other housing authorities that were set up having received a military installation in this way and continued to act as the housing authority. So I don't know that anyone knew of the special circumstances in Sidney when the bill was originally being revised in 1999.

SENATOR SCHIMEK: Okay. But this is permissive. Right?

JORDAN BALL: Yes.

SENATOR SCHIMEK: That means the language of the green copy is...

JORDAN BALL: Through 1999. The legislation that took effect in 2000, it was permissive. There was a special section that said, if you got your housing property from the federal government under that specific federal act, then the commissioners of the city could act as the housing authority.

SENATOR SCHIMEK: Um-hum. Thank you.

SENATOR FRIEND: Thank you, Senator Schimek. Any other questions from the committee? Mr. Ball, I had one. Do you know the language, the new language on page 3, do you know...you helped draft that? The underlined language. The new language in subsection (2). Are you...I mean, who all had a hand in it? I know the League has been...

JORDAN BALL: Well, we communicated to the League our particular situation and, of course, looked at the old language before 1999, the new language, and it was actually drafted by the League in conjunction with...and Gary's going to testify, I think after me, and he probably could answer how the language was actually put together.

SENATOR FRIEND: Yeah. There's a relevant reason that I ask it but it just may not seem like it. Curiosity, let's say. Thank you. Any other questions? Thank you, Mr. Ball.

JORDAN BALL: Thank you.

SENATOR FRIEND: Next testifier in support, please.

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GARY KRUMLAND: Senator Friend, members of the committee, my name is Gary Krumland. It's spelled K-r-u-m-l-a-n-d, representing the League of Nebraska Municipalities in support of LB 1037. As you heard, the bill was intended to make clear that a city council that has lawfully been acting as the housing authority, or now the housing agency, can continue to do so under the current law. The other provision of the bill that it does is that under the current Housing Agency Act, and this is also under federal law, it provides that a housing agency may have a resident commissioner. And if they have more than 300 units, they shall have a resident commissioner, which basically is a member of the housing agency board who is also a resident of one of the units operated by the housing agency. And so that, also, is important as part of the bill because it makes it clear how that is handled if the city council continues as the housing agency, there is a provision here to comply both with the intent of the state law and the federal law to make sure that if they meet those certain requirements, they also include a resident commissioner on the commission. When we were looking at the bill, I did look up the federal law and sometimes it's hard to find some of the records from the old law but in 1950 Congress passed the Housing Act of 1950 which basically was intended to get rid of surplus World War II military housing. And one of the ways they did so was by offering it to housing authorities across the nation. At the time, the state Legislature said that if a city housing authority took over military housing as part of their operation, the city council could act as the housing authority. I have not been able to tell you why they did that. The records just aren't clear enough or my research isn't good enough but I just couldn't tell you why. But at least we know of one city that took advantage of that and that's Sidney. I don't know if there's any other cities out there that have done that. I wasn't able to find it, although we didn't do extensive research. But the city council of Sidney has been operating as the housing authority and housing agency for over 50 years and done so very successfully. And so we would like to have LB 1037 enacted so they continue to do that. So I would be happy to answer any questions.

SENATOR FRIEND: Thank you, Mr. Krumland. Are there any questions from the committee? Seeing none, thanks for your

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testimony. Are there any more in support? Any more proponent testimony? We'll start with opposition. Is there any opposition? No opposition? Any neutral? Anyone wishing to testify neutral? Senator Erdman to close. Waives closing. That will close the hearing on LB 1037. Thank you. And I believe Senator Jensen is next. She's calling him. He's very close. It shouldn't take long.

LB 1029

SENATOR FRIEND: Senator Jensen, welcome. We are opening the hearing on LB 1029. Thanks for coming.

SENATOR JENSEN: Thank you very much. Pleasure to be here. Senator Friend, members of the Urban Affairs Committee, LB 1029 provides that all construction work done or materials or equipment purchased in sanitation improvement districts, the expense of which exceeds \$20,000, said construction work materials or equipment shall be let to the lowest responsible bidder upon notice of not less than 20 days. Larry Ruth is behind me, and he can go into further details on this particular legislative bill. I would ask that you would direct your questions to him. Thank you.

SENATOR FRIEND: Thank you, Senator Jensen. Anything from the committee for Senator Jensen? Seeing none.

SENATOR JENSEN: Thank you.

SENATOR FRIEND: Thanks for coming in. First testifier in support, please?

LARRY RUTH: Senator Friend and members of the committee, my name is Larry Ruth, R-u-t-h, and I appear today on behalf of the Eastern Nebraska Development Council. The Eastern Nebraska Development Council is a group of legal counsel, developers, bond interests, engineers working in the development area, mostly in the Omaha community. We appear today in support of LB 1029. The issue that you have in front of you is at what level should public bidding be required for the sanitary improvement districts of the state, which are political subdivisions? Political subdivisions have limits on what they can purchase without public bidding and then you get to a certain threshold, and

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most political subdivisions have a requirement for some kind of public bidding. That's usually based on the amount of the purchase. And it kind of goes all over the map but typically, if you have a purchase above a threshold that requires public bidding and the lowest responsible bidder being given that bid with notice requirements, and below that threshold you go to the marketplace and you purchase, typically in the case of sanitary improvement districts with the engineer for that district doing the heavy lifting. We're talking here about when an SID board is allowed to make a prudent purchase without public bidding. A number of years ago, sanitary improvement districts were divided up into two types of districts, those eight years and under, and those over eight years old. The current threshold for those over eight years old is \$15,000 and for those under eight years is \$10,000. And I think that division was probably made at a time when sanitary improvement districts were not as sophisticated as they are now in terms of having professional assistance in what they do. They're well established now as a part of the developing community and they usually do have some degree of sophistication involved. Over the years, of course, you have the increase in the cost of materials and services. In 1902, which is the last time this figure was changed, put it at \$10,000 for those what I'll call young SIDs, and \$15,000 for the old SIDs. Just to put this in context, most cities have a bidding requirement of \$20,000 above which you have to have bidding. Now I haven't looked that up but I got that from my fellow esteemed lobbyist from the League of Nebraska Municipalities who said those figures are all over the place but \$20,000 is clearly in the mainstream for cities. Counties are under the County Purchasing Act, and there the threshold is \$20,000. What are we talking about in terms of the kinds of purchases? We're talking about those purchases which we might call typically repairs and maintenance, tree trimming, some street and sewer work, sidewalks, park maintenance. That kind of work would typically be what we would be looking at to be able to do without public bidding. Certainly any major construction would still require public bidding. And that, by statute, and you can see in LB 1029 would go to the lowest responsible bidder. The reason we are concerned about these relatively smaller purchases is that there is some expense at issue, not necessarily the expense of notices and things like that, although that may cause a modest delay. But there is a much greater detail

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needed in the planning of a maintenance item or a purchase. Oftentimes you have to get professionals involved to make sure the bid documents are complete, when it might be quite a bit less expensive to not have that burden. And, in fact, I was asking, what can you tell me about the typical amount of increase that you might expect from a \$10,000-\$15,000 purchase. And if you go through a bidding process, it was suggested that this may increase the cost of that several thousand dollars depending, of course, on the project and whether or not this involves needing to have a professional involved. Under \$15,000 right now, an engineer for the district is generally brought to bear and he or she finds the best price on a relatively informal basis. Experience has shown that there are a number of purchases in this \$10,000-\$20,000 area, which we think can be done without public bidding. In a nutshell, we support the bill. We asked Senator Jensen if he would consider introducing it. And I think one of the advantages of pegging it at \$20,000 is that it is very consistent with the County Purchasing Act and SIDs are outside of the city normally. There may be a couple that are completely circumscribed by the city but they're outside the city and they are in the county. And that's why I drew some comfort by looking at the County Purchasing Act for that but I was surprised and pleased to see that that's where the cities oftentimes are also. I'd be happy to answer any questions.

SENATOR FRIEND: Thank you, Mr. Ruth. Any questions from the committee? Mr. Ruth, I did have a question in regard to language. And is the language that's being stricken the...part of the language that's being stricken, in other words, "after that initial 8-year period such contracts must be let to the lowest responsible bidder if the expense is to exceed \$15,000." Is that...pulling that piece out makes it more consistent with the County Purchasing Act or the \$20,000 threshold?

LARRY RUTH: I'm glad you asked the question. I neglected to dwell on one aspect of this, and that is that we're doing away...in this bill...doing away with the division between eight years old and under eight, over eight years old. And you find that part of the language is being stricken is because it's repeated another time--one for the old SIDs and one for the young SIDs. The net effect of this is to say we're not going to have a division between the old and the

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new SIDs. It's going to be one SID. Someone said yesterday...I hesitate to say it, one county, one district or whatever...but in this one SID and having that at \$20,000.

SENATOR FRIEND: Okay, I...

LARRY RUTH: It may look a little confusing but I think that's the net effect, Senator.

SENATOR FRIEND: Okay. Are any other questions for Mr. Ruth? Seeing none.

LARRY RUTH: Thank you very much.

SENATOR FRIEND: Thanks for the testimony. Next proponent?

JUSTIN BRADY: Senator Friend and members of the committee, my name is Justin Brady, B-r-a-d-y. I'm here representing the Nebraska State Home Builders and going on record in support of this bill, and they would echo the comments that Larry Ruth just made. So with that, I would try to answer any questions.

SENATOR FRIEND: Thank you. Are there any questions for Mr. Brady? Seeing none.

JUSTIN BRADY: Thank you.

SENATOR FRIEND: Thanks for the testimony. Are there any more proponents? Anyone in support? Is there any opposition to LB 1029? Anyone wishing to testify neutral on LB 1029? With that, I do believe Senator Jensen waives closing, and that will close the hearing on LB 1029. Thank you. With that, I don't know if Senator Raikes...there he is, LB 1054. Senator Raikes is here. We open the hearing. Welcome.

LB 1054

SENATOR RAIKES: Thank you, Senator Friend, members of the committee. I haven't been to this committee before in all my years, and I was feeling a little bit ill at ease until somebody mentioned one county, one district or something

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LB 1054

like that. Now I feel at home. (laughter) Ron Raikes, District 25, the "prevailing district," although in this day and age it may take 33 to prevail, here to introduce LB 1054. LB 1054 is intended to address an issue that was brought to my attention by the city of Lincoln. Currently, primary class cities, which include only the city of Lincoln in Nebraska, are provided authority to regulate construction under Section 15-905. This authority applies both within the city as well as within the three-mile area outside of the city's corporate boundaries. There is, however, one exception. The city does not have the authority to regulate construction of any kind on farmsteads located in the three-mile area outside of the city. The purpose of LB 1054 is to partially address that exception. Under the bill, construction of farm buildings on farmsteads would continue to be excluded from the city's zoning authority. The bill defines a farm building as any building that is not a residence. This change means that LB 1054 would allow the city to regulate construction of residential buildings on farmsteads, an authority not afforded in current statute. I believe the expansion of zoning authority allowed in this bill is fairly limited but important. I wasn't around when the decision was made to provide zoning authority when in the three-mile area. However, I speculate that at least part of the reason behind that decision was to allow the city to regulate construction in areas that were likely to become part of the city at some point in the future. If that's the case, I feel that LB 1054 would fill an important need by allowing the city to require minimum building standards for houses that are likely to end up in the city limits. The city is allowed to regulate construction on any other residential building in the three-mile zone but is currently denied this authority with regard to residents located on farmsteads. Location on a farmstead does not seem like a relevant factor in exempting a residence from zoning requirements. With that, I'll make a shot at any questions.

SENATOR FRIEND: Thank you, Senator Raikes. Are there any questions from the committee? Senator Schimek.

SENATOR SCHIMEK: Yes, Senator Raikes, this bill intrigues me. This doesn't have any relationship to the bill that you brought in 2003 to the Legislature, does it?

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SENATOR RAIKES: I think that was county.

SENATOR SCHIMEK: Okay.

SENATOR RAIKES: That was county.

SENATOR SCHIMEK: It's just curious that you're...

SENATOR RAIKES: But half of my career is county zoning, nonfarm buildings, and the other half is city.

SENATOR SCHIMEK: Okay. Thank you. I was just curious. I mean, there was enough in this bill to make me wonder if this was a wolf in sheep's clothing or if this was a brand new bill.

SENATOR RAIKES: I...my nightmares persist. (laughter) I've fought these issues for years. This one, though, hopefully somebody can correct me, but I think I'm new on this particular track here.

SENATOR SCHIMEK: Good. I'm really glad to hear that.

SENATOR RAIKES: I've failed many, many times on the other track though.

SENATOR SCHIMEK: Thank you.

SENATOR FRIEND: Thank you, Senator Schimek. Are there any other questions for Senator Raikes? Seeing none.

SENATOR RAIKES: I've got to go back to Education.

SENATOR FRIEND: You'll waive closing? Thank you.

SENATOR RAIKES: Thank you.

SENATOR FRIEND: First proponent in support of LB 1054, please?

CHUCK ZIMMERMAN: (Exhibit 2) Senator Friend, Urban Affairs Committee, my name is Chuck Zimmerman, C-h-u-c-k, Zimmerman, Z-i-m-m-e-r-m-a-n. Hopefully, I can clarify some of your questions, as you had, Senator Schimek. I'm currently a division manager with the city of Lincoln Building and

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Safety Department. I manage the plan review of building inspection, zoning enforcement, and county sections for the department. I'm here today to provide a summary of the reasons why the city of Lincoln is requesting this bill and do want to express my appreciation for Senator Raikes for introducing that on our behalf and hoping to clear up this matter we're bringing before you. At the outset, I'd like to emphasize that the primary focus of the bill and the request for the legislation is public safety and the safety for folks in their residences. The secondary focus is to treat residences the same in the three-mile limit as we currently are doing in the county and is what we're also doing in the city, so that we're doing the same thing in all three of those zoning limits. Let me give you a little brief history as to where this came from. And I think this is part of where Senator Raikes' earlier bill from a few years ago also happened. Due to some concerns with emergency response in Lancaster County, in 1999 our County Board created an address committee to look at issues due to inaccurate addresses causing difficulty in emergency response. My department is the department that's charged with the responsibility for assigning correct and legal addresses. And that happens at the time that a building permit is applied for. However, in the past, state law precluded us from getting building permits on any building, including the residences on farmsteads. And those are the parcels of land used for agricultural purposes of over 20 acres. The address committee created by the county recommended that this law and this practice be changed to require building permits only for the new dwellings, not any other structures...not the agricultural buildings, but only for the dwellings on farmsteads of 20 acres or more in size. We have always been allowed to require the building permits on the smaller parcels of land in any of the houses and any of the buildings but not on the farmsteads. By September of 2002, the law had been changed, and I'm presuming that was because of Senator Raikes' bill, and authority was granted to us to require permits on residences on farmsteads in the county jurisdiction. That would be outside the three-mile limit of Lincoln and outside any other jurisdiction of the smaller communities in Lancaster County. Since that time, we estimate that we have issued building permits on approximately 20 to 40 additional residences per year on farmsteads that would not have had permits, and we would not have been performing inspections

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on. And that's every year since this law has gone into effect. Actually, we had a few more in the last year because in southern Lancaster County we had the tragedy of the tornado that took a lot of homes with it, so there's been more rebuilding out there. So that number has actually been a little higher in the last year or so. A quick overview of what we do in our inspections, just so you have an idea of what goes along with a permit, for a new house we require separate plumbing, electrical, mechanical, gas, and building permits. We do inspections at all the different phases of construction, all the way from footings to the final inspections on all those different disciplines. Each permit has its own specialized inspector who is an expert in their particular field; thereby, with all the different inspectors and the different permits, on a typical house the number of inspections would be about 14 to 20 inspections. We do charge permit fees for that in Lincoln. And what we do, our permit fees are probably in the bottom third of what other communities have for building permit fees in the region. What these inspections help us to do, and it helps the residents, is that we uncover flaws and potential safety violations which could put a family at risk in their own home. And in the past, farmsteads were being built and there were people occupying them but there could have been safety concerns out there because of it. One thing that we note is that the typical house changes hands or ownership about every seven years on average. That doesn't mean that you or I might not live there for 20 years but somebody else may move out in a couple of years. So it's typical that homes will change hands. The language that we have that exempts farmsteads in the primary class city law does not exist for first-class and second-class cities. In other words, they're able to regulate the residences on farmsteads or anything else but in the primary class city, which applies solely to Lincoln, we're not able to do that at this point. Another issue that sometimes arises is people can build a house on a farmstead and then split the land...do a subdivision. Now the house splits off with a smaller parcel of land, and there were no inspections and permits done on that particular house because they fell under the farmstead exemption rule. And that could be passing on some unsafe circumstances for the next buyer. The other thing that happens, just from a selfish standpoint, is this three-mile gap, or this doughnut that's around the city right now, we do have farmsteads and we

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estimate that there could be as many as 10-15 homes a year that we have built in that area. And right now, procedurally, when people come to our public counter asking for service, we have to really grill them and we have to kind of give some inconsistent answers on, yes, you're in the three-mile limit, so you don't need to have permits but if you're just on one side or another of that line, then you do need to get the permits. This creates confusion for our potential homeowners and for contractors, and we'd like to have that just be cleaned up and be consistent. One other point, as far as what our department does because we're a revenue-based department, there will not be any additional fiscal impact to our department because of the passage of this bill. Our permit fees do cover our cost of doing business. So to conclude, I want to make it perfectly clear that our purpose is not to overstep our bounds when it comes to the regulation of agricultural operations. We want to do just the residential buildings on the farmsteads and do it the same in the city and the county in that three-mile limit. And we respectfully request that the changes be made to State Statute 15-905 to allow us to perform these duties and that the committee advance LB 1054 to the floor with their support. So with that, I'm available for any questions that you may have.

SENATOR FRIEND: Thank you, Mr. Zimmerman. Senator Janssen has a question.

SENATOR JANSSEN: Yes, sir. How many of these areas...how many buildings can you think of, right offhand, that this is going to affect?

CHUCK ZIMMERMAN: Well, since we don't have any permits, we don't have an exact number but we feel that it could be as many as 10 or 15 per year that are happening in the three-mile limit, because one of the other things that happens is the three-mile limit moves. And so it isn't stagnant, and it won't totally build out. It will stretch with the boundaries of the city.

SENATOR JANSSEN: But right now, you...10, 15?

CHUCK ZIMMERMAN: Yeah. We think 10-15 per year. Right.

SENATOR JANSSEN: They mostly on the south side?

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CHUCK ZIMMERMAN: Uh...

SENATOR JANSSEN: Southeast?

CHUCK ZIMMERMAN: Surprisingly, it's really pretty concentric. I mean, it happens...there's a lot going on north also. So it's...it can go in any direction.

SENATOR JANSSEN: Yeah, they're starting to build on the north side of the interstate now.

CHUCK ZIMMERMAN: Yes.

SENATOR JANSSEN: Amazing.

CHUCK ZIMMERMAN: Yeah. We're enjoying it. (laughter)

SENATOR JANSSEN: You are.

SENATOR FRIEND: Thank you. Are there any other questions for Mr. Zimmerman from the committee? Seeing none, thanks for the testimony.

CHUCK ZIMMERMAN: Okay. I'll leave a copy of my testimony here for the transcriber, if that's okay.

SENATOR FRIEND: Thank you.

CHUCK ZIMMERMAN: You bet.

SENATOR FRIEND: Anyone else in support of LB 1054? Is there any opposition to the bill? Anyone wishing to testify neutral to LB 1054? I believe Senator Raikes waived closing, and that will close the hearing on LB 1054.

LB 1066

SENATOR FRIEND: Senator Connealy, Vice Chairman Senator Connealy, LB 1066.

SENATOR CONNEALY: Thanks, Senator Friend and members. For the record, I'm Matt Connealy. I have the opportunity to represent the 16th Legislative District. LB 1066 was

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brought to me by the League of Municipalities to address the issue of proprietary budgets. LB 1066 amends the Proprietary Function Act to require income and expenditures for only the immediate prior fiscal year rather than the last two years. The bill also amends the Municipal Proprietary Function Act so that the proprietary budget statements conform with the budget statements of the Nebraska Budget Act. Some cities have two different budgets: one for their utilities and hospitals and nursing homes that's kept separate and used for different purposes, along with their regular operating budget of the city. This would bring those two budgets to be worked together at the same time. In 2002, LB 568 was enacted to amend the Nebraska Budget Act to simplify it, so that the budget statements were shorter and easier to follow. One amendment was to require income and expenditures for the immediate fiscal or preceding fiscal year rather than for the immediate two prior years. We did not amend the Proprietary Function Act, and so as you prepare those two budgets in a community that has those, they have different lengths and they look different. This would bring those two budgets together.

SENATOR FRIEND: Thank you, Senator Connealy. Are there any questions from the committee? Seeing none.

SENATOR CONNEALY: Thank you.

SENATOR FRIEND: Thank you. First person in support, please.

GARY KRUMLAND: Senator Friend, members of the committee, my name is Gary Krumland. My last name is spelled K-r-u-m-l-a-n-d, representing the League of Nebraska Municipalities in support of LB 1066. Senator Connealy mentioned this amends...LB 1066 amends the Municipal Proprietary Function Act. And I think when we name acts, we're going to have to get something easier to say. That's a little difficult, but anyway, to make it conform with the Nebraska Budget Act. Cities and villages have two budget acts that they're required or may follow: one is the Nebraska Budget Act and that applies to all political subdivisions, and the Municipal Proprietary Function Act which just allows cities and villages to use for utilities, hospitals, and nursing homes. Both are designed to provide

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uniformity and public participation in developing budgets by political subdivisions. The Proprietary Function Act was adopted in 1993 because it was found that preparing budgets for hospitals, utilities, solid waste facilities was difficult to do under the State Budget Act. For example, under the Nebraska Budget Act, when a political subdivision of a city sets a budget for the year, if something comes up and they find out they need to expand the budget, they have to give a hearing, give notice...it takes some time to do it. If you have an electric utility who in the middle of summer is selling a lot of electricity for air conditioning and you get to the point where suddenly what you budgeted for that, you can't suddenly just shut down the electric system, give notice, hold a hearing, and that sort of thing. So there was a special procedure set up for these utilities where it's very similar to the Budget Act in that the forms are very similar but it gives them more flexibility in going beyond the budget and there's some reconciliation processes. Another concern was that the State Budget Act sets some limits on the amount of reserve, and utilities very often have larger reserves to handle emergencies or unforeseen circumstances. The third issue, I think, is because of some federal legislation, both electric utilities and hospitals and nursing homes may be on different fiscal years than the city, so there was a need to have a different procedure. So the act was adopted. It was designed, though, to mirror the State Budget Act so someone looking at them could compare them. The State Budget Act has provisions so that you include the figures from the Proprietary Function Act when you do the budget under the Nebraska Budget Act. In the year 2000, though, legislation was enacted to create an advisory board to review the Nebraska Budget Act. At the time, the Auditor's office was putting out a budget form that was 53 pages long, and it was so long it was very difficult to complete and was very difficult to use. So someone looking at it had a hard time just finding out what the budget was. The Advisory Board was created to look at the process, made some recommendations to simplify it, and one of the recommendations was that instead of having to include two prior fiscal years in the budget statement, you only have one prior fiscal year. And the reasoning was that if anybody wanted that information from prior years, it's available either through getting copies of older budgets or all of this information is on the State Auditor's web site, so someone can go there and get prior year information. So

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it really wasn't necessary to have it there, it just seemed to be adding additional lines that were confusing. And then in 2002, as Senator Connealy mentioned, the law was enacted that changed the Nebraska Budget Act so that it's only required to have one prior fiscal year. And as a result, the budget form was reduced to about 10 pages, so it's a lot easier to use right now. It's easier to look at, so the public looking at it can find things easier. The Proprietary Function Act was not amended at the same time, and it still has two immediate prior fiscal years required to be listed. So the uniformity and consistency between the two has changed a little bit, so I guess the intent of LB 1066 is to bring them back into conformity, and so that they are similar so that someone having one can compare to the other. This may not appear to be a major issue but we think it's very important to continue having the uniformity and consistency between the two acts. I'd be happy to answer any questions if anybody had any.

SENATOR FRIEND: Thank you, Mr. Krumland. Any questions from the committee? I forgot to introduce...and Jeanne will get me back for this. I forgot to introduce Senator Combs after she came in.

SENATOR COMBS: I've been here for a while.

SENATOR FRIEND: I apologize. I know you have. I'm sorry.

SENATOR COMBS: I've heard every bill.

SENATOR FRIEND: Thank you, Mr. Krumland. Seeing no questions, appreciate it.

GARY KRUMLAND: Okay.

SENATOR FRIEND: Are there any more proponents? Anyone in opposition? No neutral testifiers? With that, Senator Connealy waives closing. And that will conclude the hearings for the day. Thank you.

GARY KRUMLAND: Thank you.

SENATOR FRIEND: Thank you for coming.